

General Information

Be sure to report both vested and non-vested employees as 'terminated' on payroll reports when they leave your employment.

Employer contributions are never refunded to a Defined Benefit Retirement Plan member.

A member who **ends covered employment**, other than by death or retirement, is eligible for a refund or direct rollover of accumulated contributions.

When a **vested** (five years or more of membership service) member terminates all employment covered by the retirement system, MPERA does not automatically refund the member's account. Because the member is vested, he or she has the right to maintain membership and request retirement benefits when eligible. The member may request a distribution (refund) of his or her account. You do not need to provide the "Refund Application" to vested members.

When non-vested members (less than five years of membership service) terminate all employment covered by the retirement system, refunds are required under the following conditions:

- Members with less than \$200 in accumulated contributions will automatically receive a lump-sum refund
- Members with \$200—\$1000 in accumulated contributions must receive a refund, but may request how they wish to receive the refund.

You may provide a "Refund Application" to all non-vested members.

MPERA will automatically send refunds or refund applications to non-vested members when they are terminated on their final payroll report or become inactive in our system.

Refunds for all defined benefit retirement plan members include the accumulated employee contributions (contributions and interest). Employer contributions are never refunded.

Refunds for PERS Defined Contributions Retirement Plan members will include all accumulated employee contributions and, if the member is vested, employer contributions. Non-vested members forfeit the employer contributions. PERS Defined Contribution Retirement Plan members must contact MPERA to receive additional refund paperwork.

Upon receiving a refund, the employee is no longer a retirement system members and gives up all rights to any future benefit.

General Requirements

<i>Upon receipt of all necessary paperwork and final contributions, MPERA will process the refund. Any errors in the payroll report or the application will delay the refund process.</i>	<p>MPERA processes refund applications each week. Before a refund will be processed, a member must be terminated for 30 days or more, and MPERA must receive the final payroll information, including all accumulated sick and annual leave and any severance pay. When a member terminates, the employer must withhold contributions from all compensation paid to the member. Except in MPORS and FURS, compensation includes payout of vacation and sick leave. Though the member may be applying for a refund, the contributions must still be withheld. If the employer does not withhold the contributions, MPERA will not process the refund.</p>
Refund Application Process	<p>MPERA will need up to four weeks from when the member receives the final paycheck to process the refund. Any errors in the payroll report or the application will delay the process. If the member accepts a position covered by the same retirement system during the refund process, MPERA will cancel the refund.</p>
<i>MPERA will not accept photocopied refund applications.</i>	<p>A member may request a refund by completing the “Refund Application”. Do not provide a Refund Application to vested members; an Application may be provided to non-vested members. MPERA sends a supply of Refund Applications to all agencies. If you need a new supply, please contact MPERA. The most current Application may be found on the MPERA website under Publications. We recommend that you check the website occasionally for the most current version and request a supply, if needed. Starting January 2008, MPERA can no longer accept version of the Application dated prior to July 2007.</p>
<i>The member may request a lump-sum payment of the refund or a direct roll-over to an IRA or a qualified plan. If requesting a direct rollover, the financial institution must also complete Section A of the refund</i>	<p>A member must choose one of three options to withdraw money from his or her retirement account. The following paragraphs describe the three options.</p> <ol style="list-style-type: none"><li data-bbox="548 1346 1425 1524">1. <i>Direct Roll-Over.</i> This option avoids the mandatory 20% withholding for federal taxes on the untaxed portion and any penalty for early withdrawal. MPERA will disburse the pre-tax contributions and tax-deferred interest <u>directly</u> to an IRA, a Roth IRA* or other eligible plan the member selects.<li data-bbox="548 1556 1425 1797">2. <i>Lump-sum Payment.</i> A member may elect to receive direct payment of the refund. Under this option, MPERA must withhold 20% of the pre-tax contributions and tax-deferred interest for federal tax purposes. State taxes will not be withheld. Depending on the member’s tax status, the IRS <u>may</u> require the member to pay a 10% penalty for early withdrawal. The penalty is paid when the member files their annual or quarterly tax return.

	<p>3. <i>Lump-sum Payment of Taxed Contributions/Direct Rollover of Pre-Tax Contributions and Tax-Deferred Interest..</i> Under this option, MPERA will disburse taxed contributions directly to the member in a lump-sum payment. MPERA will roll a member's pre-tax contributions and tax-deferred interest directly into an IRA, Roth IRA* or another eligible retirement plan. The member is not required to pay federal and state taxes or a penalty on the pre-tax contributions and tax-deferred interest at this time.</p> <p>* Roth IRAs have specific rules. MPERA encourages the member to consult with a tax professional regarding Roth IRAs.</p> <p>The <i>Special Tax Notice Regarding Plan Payments</i> is attached to the Refund Application. A sample Refund Application (special tax notice not included) are at the end of this chapter. Do not provide a Refund Application without the Special Tax Notice.</p>
Reduction in Force (RIF)	<p>A member whose covered employment with the State ends due to a reduction in force (RIF) is eligible for a refund (MCA, 19-2-706). The member must complete the Refund Application. Other than the reason for terminating, the refund method will be the same as previously stated .</p> <p>Rather than requesting a refund, RIF'd employees may be eligible for benefits in accordance with the Employee Protection Act (MCA, 2-18-208).</p>
Seasonal & School District Employees	<p>A seasonal or school district employee is an employee who may not work the entire year. These employees may not receive a refund at the end of each season or school year. The employee must be coded as seasonal on the payroll report. If the employee has no intention of returning to work for the next season or school year, the payroll report must show the employee as terminated, and the employee must receive a payout of vacation and sick leave. This employee may then be eligible for a refund. The procedures for requesting a refund are the same as previously stated.</p>
Inactive Members	<p>Members who have been inactive for three or more months should contact MPERA, not the employer, to request a refund. MPERA will provide inactive members with the Application. A different form is used for inactive members.</p>
Additional Service Purchase Contributions	<p>Members may make additional contributions only for the purpose of purchasing service. These payments may be made by pre-tax payroll deductions. These payments are placed in a separate contribu-</p>

Refund Application Instructions

A sample form, Figure 4, follows these instructions.

tion account until the service purchase contract is complete. When the purchase is complete, the contributions are combined with the regular contributions. **When a member receives a refund**, MPERA will refund the additional service purchase contributions the member has made.

NOTE: A member must complete the *Payroll Authorization Deduction* form to initiate a service purchase contract before the employer can make pre-tax payroll deductions. (A sample of this form and instructions for completing it are in the Part II Service Purchases section for each retirement system.)

The employer should complete their section of the *Refund Application-Terminated Employee* (see **Figure 4** on page 7) before giving it to the employee. The instructions below provide information for completing the form.

Member Information:

1. **MEMBER'S NAME** - is the member's last and first names, and middle initial. Include any other last names the member may have had or used.
2. **SOCIAL SECURITY NUMBER** - is the member's social security number.
3. **MAILING ADDRESS** - is the address the payment will be mailed to. Payments will not be forwarded. Make sure the current mailing address is listed.
4. **HOME PHONE NUMBER AND WORK NUMBER** - is member's home and work phone numbers.

To Be Completed by Employing Agency:

1. **TERMINATION DATE** - is the last day a member worked for your agency.
2. **RETIREMENT SYSTEM** - is the system to which the member makes contributions [i.e., Public Employees' Retirement System (PERS), Sheriffs' Retirement System (SRS), Highway Patrol Officers' Retirement System (HPORS).]
3. **AGENCY** - is the employer or agency from which the employee is ending employment or terminating.
4. **AGENCY #** - is the employer type and identification number assigned to employers by MPERA. For Central Payroll employers, it will be the same as the agency's Central Payroll number. (e.g., CP6101)

5. **FINAL PAYCHECK DATE** - is the date (month, day and year) the member receives their final pay (including accumulated sick and annual leave, and severance pay).
6. **FINAL PAYROLL REPORT** - is the report the employee's final paycheck is reported.
7. **AUTHORIZED OFFICER** - must be the printed name and signature of the authorized personnel officer, Phone Number, and Date of signature.

To be Completed by Employee:

The member must select **one** option for withdrawal by completing the bottom section of the first page of the *Refund Application*. To select an option, the member must place an "X" by either 1) Direct Rollover, 2) Lump-Sum Payment, or 3) Lump-Sum Payment of Taxed Contributions/Direct Rollover of Pre-Tax Contributions and Tax-Deferred Interest. The options are explained below:

1. **Direct Rollover:** *A direct roll-over of the pre-tax and/or contributions and tax-deferred interest.* This option avoids the mandatory 20% withholding for federal taxes on the untaxed portion and any penalty for early withdrawal. MPERA will disburse the pre-tax contributions and tax-deferred interest directly to an IRA, a Roth IRA* or other eligible plan the member selects.
2. **Lump-Sum Payment:** *MPERA pays the refund directly to the member.* A member may elect to receive direct payment of the refund. Under this option, MPERA must withhold 20% of the pre-tax contributions and tax-deferred interest for federal tax purposes. State taxes will not be withheld. Depending on the member's tax status, the IRS may require the member to pay a 10% penalty for early withdrawal. The penalty is paid when the member files their annual or quarterly tax return.
3. **Lump-Sum Payment of Taxed Contributions/Direct Rollover of Pre-Tax Contributions and Tax-Deferred Interest:** Under this option, MPERA will disburse taxed contributions directly to the member in a lump-sum payment. MPERA will roll a member's pre-tax contributions and tax-deferred interest directly into an IRA, Roth IRA* or another eligible retirement plan. The member is not required to pay federal and state taxes or a penalty on the pre-tax contributions and tax-deferred interest at this time.

If the member selects Direct Rollover, then the Type of eligible retirement plan for Direct Rollover must be completed.

IRS rules do not require withholding or a penalty on previously taxed contributions refunded to the member.

*Roth IRAs have specific rules. MPERA encourages the member to consult with a tax professional regarding Roth IRAs.

General Requirements

The MPERA will not withhold taxes on lump-sum payment amounts less than \$200.

Once the form is completed and returned to the employer, the form must be sent to directly MPERA

Section A To Be Completed by Eligible Retirement Plan Contact:

The *type of eligible retirement plan for Direct Rollover* must be completed. **One** of the eligible retirement plans listed must be selected. The contact must place an “X” beside the type of eligible retirement plan. **If the eligible retirement plan accepts taxed money, it must indicate yes.** If nothing is marked, any taxed monies will be sent to the member.

Make Check Payable to - is the name of the financial institution sponsoring the eligible plan or IRA.

Account Number - is the financial institution’s account number.

Mail Check to - is the financial institution’s mailing address (include PO box or street address, city, state, and zip.)

Financial Institution or Plan Administrator - is the person to contact at the financial institution sponsoring the eligible plan or IRA. The name of the person must be printed or typed, the phone number for the contact provided, and the signature of the contact.

NOTE: An incomplete application will delay processing the refund.

Section B To Be Completed by Member:

Read the disclaimer in section B and sign and date the application. The completed application must be mailed directly to MPERA.

Figure 4—Terminated Employee Refund Application (Page 1)

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION (MPERA)
 100 North Park Avenue, Suite 200 ~ PO BOX 200131
 HELENA MT 59620-0131
 (406) 444-3154 or (877) 275-7372

REFUND APPLICATION - TERMINATED EMPLOYEE

Member Information (please print)

Last Name	First Name	MI	Other Last Names	Social Security Number*
				()
Mailing Address				Home Phone Number
				()
City	State	ZIP	Work Number	

*Used for tax purposes 26 USC § 6402 and 6109

Incomplete applications will be returned, causing processing delays.

To Be Completed by Employing Agency

Termination Date	Retirement System	Agency	Agency #
This employee will receive their final paycheck, including all accumulated sick and annual leave and any severance pay, on _____.			
Payment will be reported on the ____ 1st ____ 2nd ____ 3rd report for _____.			
<small>(Check one) (Month)</small>			

The above employee terminated employment and will not be reemployed by this agency for 30 days and, to the best of my knowledge, is not employed by any other agency covered by this retirement system. **The final payment includes all accumulated sick and annual leave and any severance pay.**

I certify that this agency has no agreement for re-employment with this employee.

Signature of Authorized Officer	Phone Number	Printed Name	Date

To Be Completed by Employee

Withdrawal Options

The rules governing withdrawals from a 401(a) plan are complex. Please read the attached tax notice and consult a tax professional before choosing a withdrawal option.

Check **one** of the following options.

____ **Direct Rollover.** I am rolling my accumulated contributions directly into another eligible retirement plan that will accept it. I am not required to pay federal and state taxes or a penalty on my accumulated contributions at this time. **(Complete Sections A and B on back of application.)**

____ **Lump-sum Payment.** My accumulated contributions will be paid directly to me in a lump sum. However, MPERA is required to withhold 20% of any taxable amount for federal taxes. I may also be required to pay a 10% penalty for early withdrawal when I pay my income taxes. **(Complete Section B on back of application.)**

____ **Lump-sum Payment of Taxed Contributions/Direct Rollover of Pre-tax Contributions and Tax-deferred Interest.** My taxed contributions will be paid directly to me in a lump sum. I am rolling my pre-tax contributions and tax-deferred interest directly into another eligible retirement plan that will accept it. I am not required to pay federal and state taxes or a penalty on the pre-tax contributions and interest at this time. **(Complete Sections A and B on back of application.)**

Figure 4—Terminated Employee Refund Application (page 2)

Section A

To Be Completed by Eligible Retirement Plan or IRA Accepting the Rollover

I certify that this rollover request complies with applicable plan provisions and federal law.

Plan Type: 401(a) ___ 401(k) ___ 403 (a) ___ 403(b) ___ 457 (b) ___ IRA 408(a) or (b) ___

Will this plan accept taxed money? Yes ___ No ___

Make Check Payable to _____

Account Number _____

Mail Check to _____

City _____ State _____ ZIP _____

Financial Institution or Plan Administrator Contact (please print) _____ () _____
Phone Number

Financial Institution or Plan Administrator Contact Signature _____

Section B

To Be Completed by Employee

- I understand the withdrawal process and have read the IRS special tax notice regarding this withdrawal.
- I am terminating my employment with this agency. I will not be employed by this or any agency covered by this retirement system for at least 30 days.
- I understand that my membership ceases upon withdrawal of my accumulated contributions and I will not be entitled to any benefits provided by the system.
- I understand that MPERA cannot process this application until my employer submits my final payroll information. This may take up to four weeks after I receive my last paycheck.
- I understand that if I return to MPERA-covered employment, my Guaranteed Annual Benefit Adjustment, if any, will be determined based on my new hire date.
- I certify that I have not established an agreement for re-employment in a position covered by the retirement system providing this refund.

Employee's Signature

Date

Incomplete applications will be returned, causing processing delays.

The MPERA will mail you an IRS (1099R) tax form separately. **Please keep that form for your State and Federal tax records.** You will not receive another 1099R form at year-end.